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EXHIBIT NUMBER

5-1 STATEMENT OF CURRENT FUND REVENUES AND EXPENDITURES
5-2 BALANCE SHEET
5-3 STATEMENT OF CHANGES IN FUND BALANCES
5-4 FBM019 CASH REPORT BY BANK
5-5 FBM061 GENERAL LEDGER FUND GROUP SUMMARY
5-6 FBM092 REPORT OF TRANSACTIONS
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5-8 VBM020 MONTHLY CASH DISBURSEMENT
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5-10 VBM093 OUTSTANDING VOUCHERS
5-11 BOARD OF TRUSTEES QUARTERLY FINANCIAL REPORT

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5.01 OVERVIEW OF FINANCIAL REPORTING

This chapter of the manual discusses financial reporting. The way in which an organization reports or provides information concerning its financial operations is mostly dependent upon the nature of its business and whether the organization is operated for a profit. In a business sense the University is considered a not-for-profit organization because its operating objectives are to provide services in support of its academic mission rather than to show a profit on the bottom line. The University’s not-for-profit status requires the use of some accounting principles and reporting standards which are different from for-profit principles and standards. These principles and standards follow the concept of Fund Accounting which is discussed in Chapter 4, “Financial Policies.” The fundamental difference, profit vs. not-for-profit, between commercial accounting and fund accounting results in financial statements which are very different in structure and content. If you are not familiar with the concepts of Fund Accounting, you should probably read Chapter 4 before continuing through this chapter.

5.01.1 CURRENT POLICY

Like most institutions of higher education the University’s ability to maintain a high quality academic and social environment is dependent upon the economic support of many constituents of society. The University receives financial support from the State of New Jersey, the federal government, students and/or their parents, alumni, businesses, creditors, and private individuals. All of these have an interest in the University’s financial position. The University is conscious of its stewardship role and its responsibility to report on the results of its financial activities and has adopted policies and procedures to assure that its financial reports are accurate and timely.

The University’s policy of preparing monthly financial reports and quarterly interim financial statements provides the mechanism that allows the University to monitor its financial activities and respond in a timely manner to requests for financial data and reports. The University prepares its financial statements in accordance with accounting and reporting standards established by the American Institute of Certified Public Accountants (AICPA). These standards are a result of a joint effort of the AICPA and the National Association of University and University Business Officers (NACUBO) and are considered the standard for use by the higher education community.

It is also the University’s policy to have its financial activities audited each year. The audit is performed by an independent certified public accountant with experience in college and university auditing. The auditors are engaged to review the University’s accounting system and related system of internal control, examine the University’s financial statements, and express an opinion on the accuracy and integrity of those financial statements. The audited financial
statements and the auditor’s opinion thereon are published as part of the University’s Annual Report.

5.02 PURPOSE OF FINANCIAL REPORTS

Financial reports in general can serve a number of purposes. The purpose of a specific report, however, usually centers around the reason for its preparation. The University typically prepares reports for two purposes, namely, for internal management use and to meet external reporting requirements.

The purpose of reports prepared for internal management use is to provide University managers with the basic financial information needed to make informed decisions concerning the University’s operations. Some of the specific ways in which this information is used is listed below:

- Aids management in the effective distribution and use of the University’s resources.
- Identifies the various services the University is providing and its ability to continue to provide those services.
- Provides managers with an accounting of how they have discharged their stewardship responsibility and their effectiveness in achieving fiscal objectives.

Reports which are prepared to meet external reporting requirements provide outside sources with information concerning the University’s financial operations. This information may be specific to a particular account, fund, or fund group depending on the report; or, the report may provide information concerning the entire University’s financial operations. In all cases, the reports’ purpose is to provide the external source with an accounting of the University’s ability to effectively manage resources which were provided, usually by that outside source. Listed below are some of the external sources to which the University provides financial reports:

- The State of New Jersey,
- The New Jersey Department of Higher Education,
- The New Jersey Educational Facilities Authority,
- Various federal government agencies,
- Private donors,
- Creditors.
5.03 PREPARATION OF FINANCIAL REPORTS

The University uses the principles of fund accounting in the preparation of its financial reports. Fund accounting is explained in more detail in Chapter 4 of this manual.

The concept of fund accounting requires the University to use fund groups to report on its financial activities. Each fund group is composed of one or more funds which is a self-balancing set of accounts consisting of assets, liabilities, and a fund balance. In simplified terms an asset is something with value owned by the fund, a liability is an amount owed by the fund for the assets accumulated, and the fund balance is the difference between the two.

5.03.1 FUND GROUPS USED IN FINANCIAL STATEMENTS

The following fund groups are used by the University to report on the results of its financial activities.

- Current Funds - Funds which are available for current operations, including those funds which are unrestricted as well as those funds which are legally restricted for specific current operations.
- Loan Funds - Funds to be used for loans to students.
- Endowment and Similar Funds - The Board of Trustees has established a reserve account. These funds are considered quasi-endowment funds since they may by decision of the Board be expended for other purposes.
- Plant Funds - Funds to be used for the construction, rehabilitation and acquisition of physical properties for institutional purposes, and funds already expended for plant properties.
- Agency Funds - Funds held by the University, as custodian, for other organizations. These funds do not belong to the University and, therefore, are not to be considered as available for use in satisfying the University’s operating or capital outlay requirements.

5.04 TYPES OF FINANCIAL REPORTS

The University prepares many different types of financial reports, the type and scope of which will vary depending upon the purpose for which the report is being prepared. While the University prepares a variety of reports to meet internal needs as well as external reporting requirements, there are four types of reports it prepares on a regular basis for internal management use: quarterly financial statements, departmental financial reports, the Board of Trustees Report, and the annual report.
5.04.1 FINANCIAL STATEMENTS

The University’s financial statements summarize the University’s financial position. They also summarize the University’s resources, obligations, and net resources, the effects of transactions, events, and circumstances on those resources, and the University’s interest in those resources. To understand the total financial position of the University one needs to:

- understand the representation of each of the financial statements,
- understand the function of each of the various fund groups,
- consider the financial position of each fund group and its financial impact on the University
- read the Notes to the Financial Statements for other information provided which should be considered.

The University prepares the financial statements listed below on a quarterly basis:

- Statement of Current Funds, Revenues, Expenditures, and Other Changes - This statement reports only on current funds. It shows the details of current funds revenues by source, expenditures by function, and all other changes to the current funds. (See Exhibit 5-1.)
- Balance Sheet - The balance sheet gives the financial position or status of each of the University’s funds as of the date of the balance sheet. (See Exhibit 5-2.)
- Statement of Changes in Fund Balances - This statement summarizes by fund group all financial changes which occurred between reporting dates. Changes are classified as either an addition to, a deduction from, or a transfer to or from a fund group. (See Exhibit 5-3.)

An outgrowth of the quarterly financial statements is a set of fourth quarter financial statements which become the foundation for the University’s annual audited financial statements. The University’s annual audited financial statements are included in the University’s Annual Report. The Annual Report is discussed in section 5.04.3 of this chapter.

5.04.2 DEPARTMENTAL FINANCIAL REPORTS

In addition to preparing financial statements the Accounting Services Office also prepares departmental financial reports each month. These reports are system generated and provide department managers with a way of monitoring their department’s financial activities. The types of reports generated are listed below:

- FBM019 -- Cash Report by Bank (Exhibit 5-4)
These reports are used by Business Office personnel to monitor University activity. The FBM092 is a monthly report of transactions by departments. The report is separated and sent to each department, if requested. This report gives the department a list of all transactions during the month. These transactions include the following:

- Account Statement in Whole Dollars (Exhibit 5-6)
- Open Commitments Status (Exhibit 5-6)
- Reports of Transactions (Exhibit 5-6)

Other system-generated reports and specially prepared reports are provided as needed by other offices.

5.04.3 BOARD OF TRUSTEES REPORT

Each quarter a set of financial reports (see Exhibit 5-14) is prepared for the Board of Trustees by the Vice President for Administration and Finance. These reports include an analysis of the several operating budget allocations, revenues and reserves, salary position analysis, and a report of purchase orders over $100,000.

5.04.4 ANNUAL REPORT

The University communicates the results of its financial activities, service efforts, and accomplishments each year by publishing an Annual Report. The report typically contains information on the following topics:

- message from the president
- enrollment
- budget
- physical plant
- curriculum
- student life
- auditor’s report
- conclusions/projections.
5.05 DISTRIBUTION OF FINANCIAL REPORTS

5.05.1 FINANCIAL STATEMENTS

As stated earlier, each quarter the University prepares a balance sheet, a statement of changes in fund balances, and a statement of current fund revenues and expenditures and other changes. These reports are prepared by the University’s Accounting Services Office and reviewed by the Controller. The Vice President for Administration and Finance also reviews and approves all University financial reports. Once the financial reports are approved they are forwarded to the Board of Trustees as part of the Vice President for Administration and Finance’s Quarterly Report.

5.05.2 DEPARTMENTAL FINANCIAL REPORTS

Each department receives a copy of the FBM092 each month, if requested, and a copy is also sent to each Dean for each department under his/her control, if requested.

5.05.3 BOARD OF TRUSTEES REPORT

Each quarter the Board of Trustees Financial Report is distributed to each member of the Board, the President’s Cabinet, the deans, the unions, the University Senate, and the attendees of the Board of Trustees meeting.

5.05.4 ANNUAL REPORT

The Annual Report is distributed by the Office of Institutional Advancement to the Rowan University Board of Trustees, the Alumni Board, the Development Fund Board, and various donors.

General University distribution of the Report is handled by the Office of University Relations.